

BUSINESS DESCRIPTION

The Group is principally engaged in the manufacture and sale of tinplate cans for the packaging of foods and beverages in the PRC. The Group also provides tinplate lacquering and printing services.

The Group has an established client base of over 60 PRC food and beverage producers located in 20 provinces in the PRC. The major customers of the Group include reputable food producers such as 福建台福食品有限公司 (Fujian Taifu Food Co., Ltd.), 温州市太裕食品實業公司 (Wenzhou Shi Taiyu Food Industry Co., Ltd.), and beverage producers such as 山西大寨飲品有限公司 (Shanxi Dazhai Beverage Co., Ltd.) and 晉江羅山味力食品有限公司 (Jinjiang Luoshan Weili Food Co., Ltd.). The Group is positioned as a high-quality tinplate cans manufacturer in the PRC which provides all-in-one services in the production of tinplate cans for the packaging of foods and beverages. The Directors believe that the Group has an established reputation in the PRC food and beverage industry for its capability to manufacture high quality tinplate cans of various sizes in a timely manner.

The Group's tinplate cans are commonly referred to as three-piece cans in the packaging industry in the PRC and are used by food and beverage producers to store a variety of beverages and processed foods such as fruit juice, protein drinks, tea beverages and congee. A typical tinplate can manufactured by the Group is made up of three components: (a) a cylindrical can body with lacquer applied on the inside and artwork printed on the outside; (b) a lacquered bottom lid; and (c) a lacquered easy-opening end. The Group manufactures the can bodies and the bottom lids, while the easy-opening ends are sourced from external suppliers.

The lacquering and printing of tinplate form integral parts of the production process of the Group's tinplate cans. Lacquering involves the coating of a layer of lacquer on the inside of a tinplate can to prevent chemical reaction between the tinplate and the contents stored inside the tinplate can. Printing involves the transfer of an artwork onto the outside surface of a tinplate can by using lithography. The Directors recognise food and beverage producers rely, to a great extent, on the artwork printed on the tinplate cans to promote their products. Thus, in January 1998, the Group commenced the provision of tinplate lacquering and printing services in order to meet the needs of its customers. Furthermore, given its extensive experience and expertise in tinplate lacquering and printing accumulated over the years, the Group is currently engaged by other tinplate container manufacturers mainly located in the Fujian Province for its tinplate lacquering and printing services.

The Group's manufacturing facilities are mainly located in Fuqing, Fujian Province, the PRC, which have a total gross floor area of approximately 12,383 sq.m.. The Group currently owns and operates two highly automated workshops in Fuqing, one for the manufacture of tinplate cans and the other for tinplate lacquering and printing. As at the Latest Practicable Date, the Group employed 253 full time employees at its manufacturing facilities located in Fuqing.

In preparation for the growing demand for tinplate cans in the PRC, the Group has committed resources to expand its production capacity. In August 2002, the Group entered into a lease agreement with Shanxi Yiyang, an Independent Third Party, for the lease of a production plant including certain

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production facilities in Fenyang, Shanxi Province, the PRC for a period of two years. The production plant in Fenyang, which commenced operations in October 2002, comprises five production lines, two for the manufacture of tinplate cans, one for the manufacture of bottom lids, one for tinplate lacquering and one for tinplate printing. The Group employed 86 full time employees at the production plant in Fenyang as at the Latest Practicable Date.

For the three years ended 31 December 2002, the total capacity of the Group's tinplate cans production was approximately 228 million cans, 228 million cans and 520 million cans per annum, while the total capacity for tinplate lacquering and printing was approximately 22,176 tonnes, 22,176 tonnes and 36,696 tonnes of tinplate per annum respectively.

The Directors estimate that the Group's production facilities for tinplate cans were operated at approximately 68%, 78% and 81% of their optimal production capacities during the Track Record Period, while the Group's production facilities for tinplate lacquering and printing were operated at approximately 26% and 56% and 86% of their optimal capacities during the same period respectively. Leveraging on its experience in tinplate lacquering and printing and its sizable capacity in the manufacture of tinplate cans, the Group is able to deliver high quality tinplate cans to its customers in approximately five to ten days.

The following table provides a breakdown of the Group's turnover by business activities:

	Year ended 31 December					
	2000		2001		2002	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Turnover by business activities						
Sale of tinplate cans (<i>Note 1</i>)	115,002	97.8	137,036	84.7	218,711	83.3
Tinplate lacquering and printing (<i>Note 2</i>)	<u>2,602</u>	<u>2.2</u>	<u>24,659</u>	<u>15.3</u>	<u>43,795</u>	<u>16.7</u>
Total turnover	<u><u>117,604</u></u>	<u><u>100.0</u></u>	<u><u>161,695</u></u>	<u><u>100.0</u></u>	<u><u>262,506</u></u>	<u><u>100.0</u></u>

Notes:

1. Turnover derived from the sale of tinplate cans during the Track Record Period included both turnover derived from the sale of tinplate cans and the provision of tinplate lacquering and printing services to those customers which ordered tinplate cans from the Group.
2. Turnover attributable to tinplate lacquering and printing was derived from customers which required only the Group's services in tinplate lacquering and printing but not the manufacture of tinplate cans.

PRINCIPAL STRENGTHS OF THE GROUP

The Directors consider that the Group's success is primarily attributable to the following factors:

1. the Group's senior management team having in-depth knowledge and over 10 years' extensive experience in the tinplate cans manufacturing industry;
2. the Group's provision of all-in-one services in the production of tinplate cans which includes lacquering, printing and manufacturing of tinplate cans;
3. the Group's technical expertise in tinplate lacquering and printing;
4. the Group's stringent quality control which has obtained the ISO 9002 accreditation; and
5. the established reputation of the Group among food and beverage producers in the Fujian Province.

COMPETITIVE ADVANTAGES OF THE GROUP

According to the Company, although there are many metal can manufacturers in the PRC, the industry is highly fragmented and the quality of metal cans produced by different manufacturers vary significantly. Although highly competitive industries generally have lower profit margins, the Directors believe that the Group has a competitive edge over its competitors because of the Group's reputation for its consistent quality of tinplate cans and the high quality of its artwork given its technical expertise in tinplate lacquering and printing. Such quality is demanded by the Group's customers which are reputable food and beverage producers in the PRC.

The Directors have advised that, as the quality and design of the metal cans for packaging of canned food and beverage substantially impact on the sales of these products, food and beverage producers are increasingly requiring their metal cans to have consistently high quality and are willing to pay higher prices to purchase from metal can manufacturers which are able to deliver such quality. The Directors estimate that there are currently around eight metal can manufacturers in Fujian Province, the PRC. However, based on the knowledge of the Directors, the Directors believe that the Group has an advantage over certain of these manufacturers in terms of production capacities, quality and technical expertise in carrying out the lacquering and printing procedures necessary to produce high quality artwork. As a result, the Directors have observed a general trend in the market in recent years for the few manufacturers which are able to provide consistently high quality to achieve high growth rates and obtain higher profit margins while many other manufacturers which cannot produce such quality compete on price and hence suffer decreasing sales. In 2000, the technical development manager of Fuwang, Mr. Pan Bo Cheng, obtained 科學技術優秀論文四等獎 (Fourth Class Prize of the Outstanding Scientific Technology Thesis Award) for his article on the inside lacquering technology of cans. Leveraging on the Group's technical expertise in tinplate lacquering for the prevention of corrosion which has benefited many of its customers, the Group increased its fees for tinplate lacquering and printing services in the same year.

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With the increasing importance of quality in the metal can manufacturing industry, the Directors believe that the Group is able to achieve continuous growth because of the following strengths over its competitors:

- the Group's stringent quality control procedures ensures its customers to receive the highest quality tinplate cans. Each of the Group's tinplate cans is pressure-tested twice before it is cleared for quality control. So far as the Directors are aware, most of the Group's competitors only perform such test once;
- the Group's imported production equipment for tinplate lacquering and printing enables the Group to have an advantage over its competitors in the market, which include the capacity of one of the two production lines for printing of tinplate in its production plant in Fujian Province, the PRC to bake over 1,000 sheets of tinplate at the same time and to mix up to seven colours on one sheet. However, so far as the Directors are aware, most of its competitors are only able to mix up to four colours on one sheet. In addition, the availability of the Group's bar code testing machine for checking the accuracy of bar codes printed on tinplates also contributed to the increasing demand for the Group's services, as some of the Group's customers export a significant portion of their products to overseas markets where bar codes are essential for retailers to complete a sales transaction;
- the Group has effectively implemented its business development strategy in targeting new and innovative food and beverage producers with high growth potentials through the development of strategic alliances with these customers. During the initial development stage of these food and beverage producers, their production costs are high, orders are small and their artwork and can designs for their products change constantly. The Group provides much assistance and guidance to these customers during their development, thereby strengthening the Group's relationship with these customers. Through this strategy, the Group has successfully developed 晉江羅山味力食品有限公司 (Jinjiang Luoshan Weili Food Co., Ltd.) and 山西大寨飲品有限公司 (Shanxi Dazhai Beverage Co., Ltd.), being two of the major customers of the Group. The Directors have advised that currently some of the Group's customers rely on the Group for the supply of tinplate cans for about 50% to 65% of their products;
- although the Group generally charges higher prices than its competitors, the Group maintains a flexible pricing structure illustrated as follows:
 - (i) the Group generally charges lower prices for the launching of new products by its major customers in order to help minimise the risk of an unsuccessful product introduced by its customers;
 - (ii) the Group offers a discount for its major customers which order large quantities; and
 - (iii) the Group may charge higher prices to some customers depending on the geographical location of these customers and the competitiveness in the area; and

- the Group has a first mover-advantage over its competitors in the Fujian Province, the PRC for the manufacture of tinplate cans for food. The Directors believe that the Group is one of the few tinplate can manufacturers in Fujian which produces tinplate cans for foods, and hence the Group can obtain a higher profit margin. The manufacture of tinplate cans for foods requires a more complex technique for inside lacquering procedures of the tinplate cans.

HISTORY AND DEVELOPMENT

The Group was founded in March 1997 after 福建省福清市大鑫旺彩印有限公司 (Fujian Province Fuqing City Daxinwang Colour Printing Co., Ltd.) (“Daxinwang”), a company wholly owned by Mr. Yang, acquired 75% equity interest in Fuwang from an Independent Third Party, Dai Shin Group Limited (騰新集團有限公司) (“Dai Shin”), at a consideration of RMB10 million, which was determined by reference to the then injected registered capital of Fuwang in the amount of US\$1,910,943 shown on the Capital Verification Report dated 24 May 1996 and issued by 福清會計師事務所 (Fuqing Certified Public Accountants). Prior to the acquisition of the equity interests in Fuwang by Daxinwang in March 1997, Fuwang was established by Dai Shin in the PRC on 5 November 1994 as a wholly foreign-owned enterprise for a term of 50 years, with a total investment amount and registered capital of US\$2 million and US\$1.5 million respectively. The establishment of Fuwang was approved by 福清市對外經濟貿易委員會 (The Foreign Economic and Trade Committee of Fuqing City) (“Committee”) on 29 September 1994. Pursuant to the approval granted by the Committee on 13 November 1995, the total investment amount and the registered capital of Fuwang were then increased to US\$2.8 million and US\$2 million respectively. After completion of the acquisition of 75% equity interest in Fuwang by Daxinwang, Fuwang became a Sino-foreign joint venture owned as to 75% by Daxinwang and as to 25% by Dai Shin, engaging principally in the manufacture and sale of tinplate cans for the packaging of foods and beverages in the PRC.

In May 1998, Nikjak Enterprises Limited (“Nikjak”), a company wholly owned by Mr. Yang, acquired the 25% equity interest in Fuwang from Dai Shin at a consideration of HK\$4 million, which was determined by reference to the then injected registered capital of Fuwang in the amount of US\$1,910,943 shown on the Capital Verification Report dated 24 May 1996 and issued by 福清會計師事務所 (Fuqing Certified Public Accountants). At the same time, the total investment amount and registered capital of Fuwang was increased to US\$4.2 million and US\$3 million, respectively. The increased amount of registered capital was fully paid up in May 1998. Both of the acquisition of the 25% equity interest in Fuwang by Nikjak and the increase of the total investment amount and the registered capital of Fuwang were approved by the Committee on 27 April 1998.

The Group successfully obtained its first sales order for tinplate cans in 1997 and commenced its tinplate lacquering and printing services in January 1998. In May 1998, the Directors recognised the growing demand for its tinplate lacquering and printing services, and as such, the Group purchased an additional production line for tinplate printing. Furthermore, in order to reduce production costs and improve operating efficiency, the Group also purchased a tinplate-cutting machine in the same month. The Group’s then customers were mainly beverage producers located in Fujian and Zhejiang Provinces and the Group’s production facilities were able to manufacture approximately 190 million cans per annum and the workshop for the lacquering and printing of tinplate processed approximately 14,520 tonnes of tinplate per annum.

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The Group had five production lines in 1997, two for the manufacture of tinsplate cans, one for the manufacture of bottom lids, one for the production of tinsplate lacquering and one production line for tinsplate printing. In 1998, the Group had six production lines, which included two for the manufacture of tinsplate cans, one for the manufacture of bottom lids, one for the production of tinsplate lacquering and two production lines for tinsplate printing. In 1999, the Group was able to offer tinsplate cans with four different dimensions to its customers.

Throughout the years, the Group has gradually increased its range of tinsplate cans to include different dimensions. The Group's range of tinsplate cans increased from four different dimensions to seven different dimensions in 2000. With the Group's quality assurance efforts, the Group was granted the ISO 9002 accreditation in 2000.

To satisfy the needs of different customers, in 2001, the Group further increased its range of tinsplate cans to nine different dimensions. In 2001, the total capacity of the Group's tinsplate cans workshop was approximately 228 million cans per annum, while the total capacity of the Group's workshop for lacquering and printing of tinsplate was approximately 22,176 tonnes of tinsplate per annum.

In February 2002, Bloxworth conditionally agreed to acquire 100% equity interest in Fuwang, as to 75% from Daxinwang and as to the remaining 25% from Nikjak at the respective considerations of US\$3.65 million and US\$1.2 million. The consideration of US\$3.65 million payable to Daxinwang was settled in cash and the consideration of US\$1.2 million payable to Nikjak was satisfied by the allotment and issue of 250 shares of US\$1 each in Bloxworth, representing 25% of the then entire issued share capital of Bloxworth. Such acquisition was approved by the Committee on 26 April 2002. The consideration for the acquisition of Fuwang by Bloxworth was calculated by reference to the net asset value of Fuwang as at 31 December 2001 in the amount of approximately US\$4.85 million (equivalent to approximately RMB40,094,000 as set out in the financial statements prepared under the PRC Accounting Standards and audited by 福清鑫玉融有限責任會計師事務所 (Fuqing Xinyurong Certified Public Accountants Ltd.), certified public accountants registered in the PRC).

In order to further expand the Group's production capacity and with a view to reducing the cost of delivery to the Group's customers in the western region of the PRC, in August 2002, the Group entered into a lease agreement with Shanxi Yiying for the lease of a tinsplate cans production plant and production facilities in Fenyang, Shanxi Province, the PRC for a period of two years. During the same month, the Group also entered into a land use agreement with 福清市上迳鎮排邊村民委員會 (Fuqing City Shang Jing Town Pai Bian Village Resident Committee) and 上迳鎮排邊村第六村及小組 (Shang Jing Town Pai Bian Village the Sixth Village and Group) to acquire conditionally the land use right of a parcel of land with a site area of approximately 6,667 sq.m. (the "Land") to expand the production facilities of the Group, subject to approval by relevant governmental authorities. Pursuant to the terms of the land use agreement, the Group has paid a land compensation fee of RMB500,000 in respect of the Land. The Directors have confirmed that the Land is an undeveloped and vacant piece of land.

The Group is in the process of carrying out the procedures in relation to the application of the land use rights certificate for the Land and the Directors expect that the Group will obtain the relevant approval from the People's Government of the Fujian Province for the resumption of the Land by June 2003. The Directors do not expect that there will be any legal impediment or adverse impact on the operations of the Group in relation to the application of the land use rights certificate for the Land and have advised that the Group will not use the Land for its business operations until it has obtained the relevant land use rights. In addition, the PRC legal advisers have confirmed that there are no legal impediments for the Group to obtain the relevant land use rights certificate.

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In July 2002, the Group commenced the manufacture of tinplate cans for the packaging of canned food.

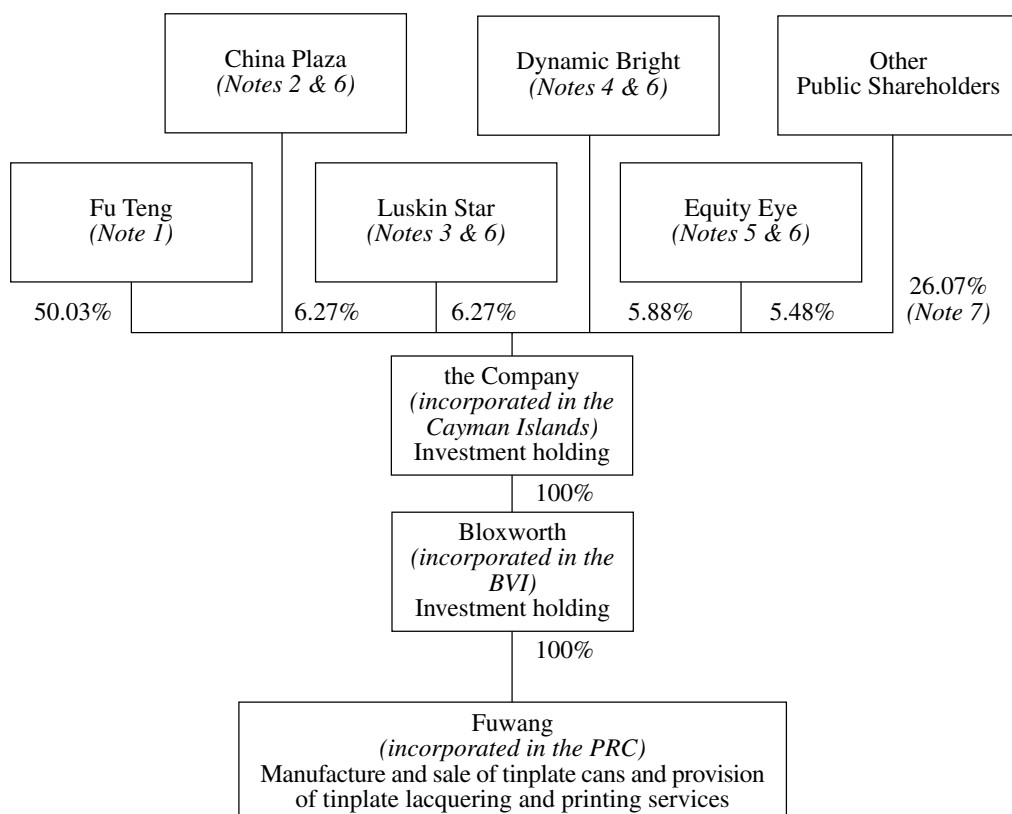
In October 2002, the Group installed an additional production line at its production plants in Fuqing, Fujian Province, for the manufacture of can bodies. With this new production line and together with the production capacity of the Group's production plant in Shanxi Province, the PRC, the Group increased its optimal production capacity to 520 million cans per annum.

In December 2002, the Group increased its range of tinplate cans to 17 different dimensions.

The Group has continued to widen its market coverage over the years. As at the Latest Practicable Date, the Group had over 60 customers located in 20 provincial regions in the PRC.

GROUP STRUCTURE

Set out below are the corporate structure and the principal activities of the Company and its subsidiaries immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised):



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Notes:

1. Fu Teng is a company incorporated in the BVI with limited liability on 13 May 2002 and is wholly-owned by Mr. Yang.
2. China Plaza is a company incorporated in the BVI with limited liability on 8 January 2002 and is wholly-owned by Mr. Lam Tun Kam, an Independent Third Party.
3. Luskin Star is a company incorporated in the BVI with limited liability on 2 January 2002 and is wholly-owned by Ms. Chan Chau Wan, an Independent Third Party.
4. Dynamic Bright is a company incorporated in the BVI with limited liability on 8 October 2001 and is wholly-owned by Mr. Chen Hong Liang, an Independent Third Party.
5. Equity Eye is a company incorporated in the BVI with limited liability on 18 July 2001 and is wholly-owned by Mr. Tong Yiu On, an Independent Third Party.
6. Under the Listing Rules, China Plaza, Dynamic Bright, Luskin Star and Equity Eye (collectively, the “Private Investors”) are treated as members of the public. So far as the Directors are aware, all the Private Investors and their respective beneficial owners are independent from and not connected with each other.
7. This represents the public shareholding other than that held by the Private Investors.

PRODUCTS AND SERVICES

Tinplate cans

The Group’s tinplate cans are commonly referred to as three-piece cans in the packaging industry. A typical tinplate can manufactured by the Group is made up of three major components: (a) a cylindrical can body with lacquer applied on the inside and artwork printed on the outside; (b) a lacquered bottom lid; and (c) a lacquered easy-opening end. The Group purchases tinplate itself for the manufacture of the can bodies and the bottom lids, while the easy-opening ends are sourced from external suppliers. The tinplate cans manufactured by the Group can withstand a high temperature environment and will be further processed by its customers before being sold to the ultimate consumers.

At present, the Group offers tinplate cans with 17 different dimensions to its customers. The following table summarises the model numbers and dimensions as well as examples of the uses for packaging of each type of tinplate can currently being produced by the Group:

Model number	Dimension		Examples of uses for packaging
	Diameter (mm)	Height (mm)	
<i>Beverage cans:</i>			
#200/130g	52.3	63	fruit juice
#200/250g	52.3	113	fruit juice, protein drink
#202/250g	52.3	113	fruit juice, protein drink
#202/240g	52.3	110	protein drink
#206/250g	63.3	95	fruit juice, milk drink

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Model number	Dimension		Examples of uses for packaging
	Diameter (mm)	Height (mm)	
#206/280g	63.3	108	milk drink
#206/300g	63.3	109	fruit juice
#206/320g	63.3	110	fruit juice, protein drink
#206/350g	63.3	115	fruit juice, congee
#209/250g	63.3	103	fruit juice, milk
#209/280g	63.3	120	fruit juice, milk drink
#209/320g	63.3	122	congee
#209/350g	63.3	125	congee
#209/360g	63.3	126	congee
#209/420g	63.3	128	congee
<i>Food cans:</i>			
#401/1000g	98.9	127	fruits, vegetables, meat
#401/500g	98.9	63	fruits, vegetables, meat

Tinplate lacquering and printing services

The Group also specialises in lacquering and printing of tinplate. The lacquering and printing of tinplate form integral parts of the tinplate can production process. Lacquering involves the coating of a layer of lacquer on the inside of a tinplate can to prevent any chemical reaction between the tinplate and the contents stored inside the tinplate can. Printing involves the transfer of an artwork onto the outside surface of a tinplate can by using lithography. The Group uses tinplate supplied by customers in the provision of tinplate lacquering and printing services and occasionally uses artwork designs provided by customers for the preparation of a lithographic plate. Based on the requirements and specifications provided by its customers, the Group also designs artwork for the outside surface of a tinplate can. Once the customer approves the artwork, the Group then proceeds with the film work for the preparation of a lithographic plate, which is subsequently mounted onto the roller of the printing machines for the printing of artwork on tinplate.

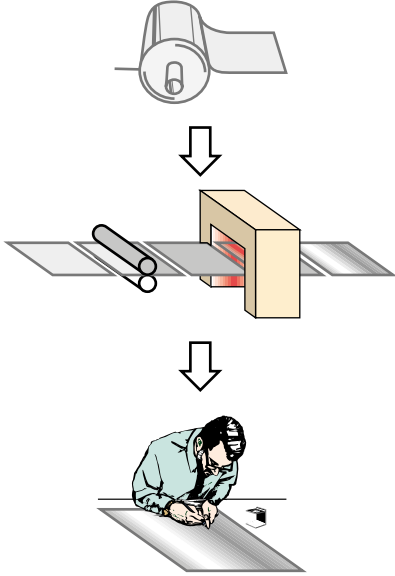
The Directors recognise food and beverage producers rely, to a great extent, on the artwork printed on the tinplate cans to promote their products. Thus, in January 1998, the Group commenced the provision of tinplate lacquering and printing services in order to meet the needs of its customers. Furthermore, given its extensive experience and expertise in tinplate lacquering and printing accumulated over the years, the Group is currently engaged by other tinplate container manufacturers mainly located in the Fujian Province for its tinplate lacquering and printing services.

PRODUCTION PROCESS AND FACILITIES

Production process

The principal steps involved in the lacquering and printing of tinplate, and the manufacture of bottom lids and can bodies are illustrated below:

Lacquering and application of white base



1. Preparation of tinplate and lacquer

Tinplate and lacquer are selected based on their storage contents and checked in accordance with customers' specifications.

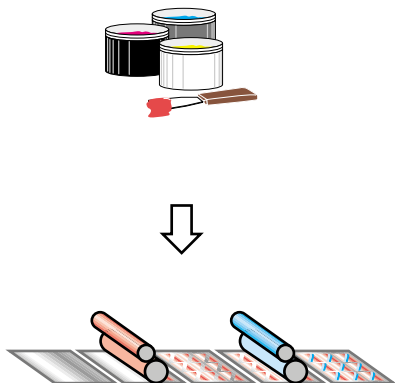
2. Tinplate lacquering, baking and application of white base

Tinplate is thoroughly lacquered on one side with lacquer to preserve and prevent chemical reaction, and a white base is applied to the other side and baked before the printing of artwork.

3. Quality control procedure: *Inspection*

Product control staff carries out thickness, adhesiveness, and anti-corrosion inspection.

Printing of artwork

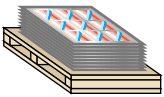
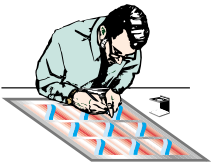
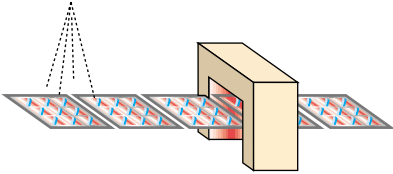
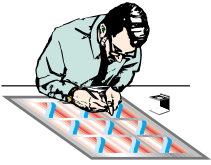


1. Colour mixing and creation of lithographic plate

Inks are selected in accordance with the standard sample provided by the customer and are mixed and matched by production staff. Artwork is transferred from films to a lithographic plate, which is then mounted on the roller of the printing machine for printing on tinplate.

2. Printing of artwork

Artwork is lithographically printed on tinplate lacquered with a white base.



3. Quality control procedure: *Alignment and dimension check*

Printed tinplate is inspected for the evenness of the printed colours, accuracy of artwork and printing quality.

4. Application of colour enhancing agents

Colour enhancing agents are applied on the printed tinplate to enhance the artwork's visual effect.

5. Baking

Printed tinplate is baked to ensure a complete finish of inks and colour enhancing agents.

6. Quality control procedure: *Colour check*

A production supervisor carries out an inspection to check the colour softness, durability, heat resistance and chemical deterioration.

7. Stacking

Lacquered and printed tinplate is carefully unloaded from the printing machines and stacked up for final inspection.

8. Quality control procedure: *Final inspection*

Quality control staff performs final inspection of the overall quality of artwork on the tinplate and issues approval for packaging and warehousing.

9. Packaging and warehousing

Approved tinplate is packaged and stored for subsequent production of can bodies.